

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION  
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
PUBLIC REPRESENTATIVE INTERROGATORY  
PR/USPS-T12-8**

The United States Postal Service hereby provides the response of witness Whiteman to the above-listed interrogatory of the Public Representative, dated January 5, 2011. The Public Representative brought the fact that other responses (in this set of eight questions) had not previously been filed to counsel's attention on March 13, 2012, resulting in filing of the first seven responses that day. Metadata suggest that the response to question eight was reduced to pdf and ready for filing shortly thereafter. APWU recently brought to counsel's attention the omission of the response to question eight. The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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TO PR INTERROGATORY

**PR/USPS-T12-8**

Please refer to Chart 1 in your testimony that reports different values from the sum of the values reported in Figures 42-47 of the direct testimony of witness Elmore-Yalch (USPS-T-11). Please explain the discrepancy and provide the breakout tables by the six groups of survey subjects, analogous to those in witness Elmore-Yalch's testimony, that aggregate to Chart 1 of your testimony.

**RESPONSE:**

The numbers in the tables provided in the direct testimony of witness Elmore-Yalch (USPS-T-11), Figures 42-47 columns (A) and (B), are as noted the sum of the number of pieces of mail sent by those responding to the survey in the respective time periods by product across all applications. As the tables further indicate, columns (C) and (D) use this data provided by the survey respondents to compute the total change in volume across survey respondents and the percentage change in volume among survey respondents. The values in columns (A), (B), and (C) do not represent the universe of Postal Service customers. Rather, I used the estimates of the percentage change in volume provided by ORC International to complete my forecasts.

This question reflects misunderstanding of how the market research results, consisting of volume changes by customer segment and application, were used to develop volume estimates of change by product (or product group) for each segment, and aggregated to the final change estimates. Conversion of the market research results into the volume changes reported in my testimony is complex, requiring detailed knowledge of how customers use the mail for what purposes. That is why, in this docket as in the five-day delivery case (PRC Docket No. N2009-1), my testimony takes the quantitative market research

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results as a starting point for development of projected changes in volume, revenue and contribution. This question, in effect, assumes my analysis does not exist by conjecturing that the market research results are the sole input to, and should therefore be the same as reflected in, my Chart 1.

By means of its presuming (incorrectly) how the impacts on volume, revenue and contribution were calculated, interrogatory PR/USPS-T12-8 does highlight indirectly an empirical strength of the market research design and the calculations of volume, revenue and contribution: For the six customer segments, the percentage changes reported by witness Elmore-Yalch are very consistent with the percentages in my Chart 1, despite the fact that my volume base for the top three segments is actual customer volumes (see workbook CBCISAccount\_Types.xls in library reference USPS-LR-N2012-1/NP1) while the bottom three segments rely upon the volumes reported by market research respondents.

The markets served by the Postal Service are immensely complex; as a consequence, developing any empirical approach to calculating an overall impact caused by a hypothetical future systemic change constitutes a substantial challenge. Yet the overall approach taken for MPNR is the same as was accepted in the analysis of five-day delivery; so developing still another methodology was not warranted.

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Despite some similarities among reported percentages, one cannot simply sum witness Elmore-Yalch's reported (and unweighted) volume changes for each segment to calculate a total estimated volume change across all six segments.

The actual calculations are documented in library reference USPS-LR-N2012-1/NP1. Three paragraphs from the Preface to that library reference explain:

USPS-LR-N2012-1/NP1, folder "USPS," provides information on calculation of quantitative results for both the quantitative market research and the derivative estimates of impact upon volume, revenue and contribution. The former entails customer specific reports of mail volumes by product, and projections of same; the latter contains confidential information relating to Postal Service competitive products. The latter also starts from information on the commercial mail volume from the Commercial Business Customer Information System (CBCIS), and the workpapers documenting the development of estimates for the impact on volume, revenue, and contribution resulting from the changes in the service standards for First-Class Mail™ and Periodicals™.

The first document, CBCIS-Account Type\_Products.xls (Whiteman), is a report from CBCIS showing volumes by products for the National, Premier, and Preferred accounts. These accounts are the larger commercial mailers and the Postal Service captures information on the mailing volumes of these customers from a variety of official records. Such information is confidential business information of respective mailers.

The second document, Network Rationalization Volume Revenue Contribution Loss-Final.xls (Whiteman), contains detailed calculations for the National, Premier, and Preferred Accounts segment, the Small Business segment, and the Consumer segment. This file contains confidential volume, revenue, and contribution information for the customer segments and for competitive products. A public version of the Total tab is included in USPS-T-12 on page 22. Appendix B in USPS-T-12 describes in detail how the worksheets in this file were developed.

Witness Elmore-Yalch's results for the National, Premier, and Preferred segments are accordingly built directly into a second workbook filed in library reference USPS-LR-N2012-1/NP1 called *Revised Network Optimization Volume Revenue Contribution Loss-Final2.xls* (which is the revised version filed on March 6, 2012).

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Examples of how I use the percentage changes reported in witness Elmore-Yalch's testimony help illustrate the calculation. In Figure 42 for First-Class Mail (understood as single-piece First-Class Mail) the reported percentage change is -0.13% which I rounded and transferred to my worksheet in the National, Premier, and Preferred tab, cell F6 as -0.1 percent. Also, in Figure 43 for Priority Mail, the reported percentage change is -2.44% which, rounded and transferred to the worksheet in the National, Premier, and Preferred tab, cell J21, appears as -2.4 percent.

For the National, Premier and Preferred segments, the Postal Service already possesses segment-specific census records of recent mailing activity. These control totals are used to calculate the changes in volume, revenue and contribution for just those three segments. In the absence of similar data for the Small Business, Home-Based Business and Consumer segments, the volume data ORC provided (in Tables 45-47 in USPS-T-11) are used together with ORC change estimates to arrive at volume, revenue and contribution changes for each of these three segments. I took the reported before and after volume volumes for each product in these segments and calculated a before and after average piece volume per customer. (See Figure 19 for small and home-based businesses and Figure 28 for consumers in USPS-T-11.)

I applied this average before and after per-piece customer volumes to the total number of customers in each segment (as shown in the Small Business and Consumer Tabs in the workbook identified above from library reference USPS-

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LR-N2012-1/NP1) to develop estimated volume and the percentage volume change for each product in each segment. For a description of the steps I took to develop the forecasts for Small Businesses, Home-Based Businesses, and Consumers, see Appendix B, pages 5-7, in USPS-T-12. By calculating the estimated volumes for each of these three segments I then was able to calculate the relative portion of volume (volume share) among the Small Business, Home-Based Business and Consumer segments and apply those relative shares to reported "retail" postal volume to calculate the estimated volume for First-Class Mail, Priority Mail, and Express Mail for each of these three segments.

I then applied the estimate percentage change to the estimated postal volumes for each product in each segment to calculate the overall estimated volume change for each of these three segments.